

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

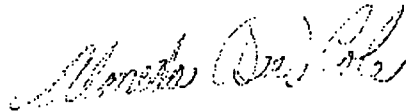
Notice FC-162

1951-F

For: State and County Offices

Graduation of Group Type Loans

Approved by: Acting Deputy Administrator, Farm Loan Programs



1 Overview

A

Background

Recent OIG audits have identified implementing graduation reviews of group type loans as an area requiring improvement.

B

Purpose

This notice:

- requires DD's to determine the financial status of presently indebted FSA borrowers who now hold Indian Tribal Land Acquisition Program (ITLAP), Grazing Association, and Recreation Loans.
- requires that a determination be made according to FmHA Instruction 1951-F as to the eligibility of ITLAP, Grazing Association, and Recreation Loans to graduate to other credit.
- ensures that reserve accounts are being properly maintained for those entities for which it is required.

C

Contact

If there are questions concerning this notice, contact Gary West, LSPMD, Guaranteed Loan Servicing and Inventory Property Branch.

Disposal Date

February 1, 1999

Distribution

State Offices; State Offices relay to County Offices

2 Action

A Graduation Review Requirements

DD's are responsible for:

- meeting with lenders to discuss their underwriting criteria and assess their interest in refinancing ITLAP, Grazing Association, or Recreation Loans

Note: Discussions shall be documented in the operational file.

- identifying commercial lenders willing to participate in the graduation review and the information needed to accomplish this action
- following up on any information request to the borrower, at a minimum the most recent financial statement and cash flow statement must be requested
- reviewing cases for acceleration and foreclosure according to FmHA Instruction 1951-F, section 1951.264 for those borrowers who are eligible for graduation but refuse to attempt to graduate
- completing a report on graduation activities by listing the name of the borrower and action taken to graduate to commercial credit or other sources
- sending the report on graduation activities to SED by May 1, 1998.

B Reserve Requirement

DD's will determine and document whether those entities which require a reserve account to be maintained, have, in fact, met the requirements outlined in FmHA Instruction 442.11, section VIII E 3 for loans to Indian tribes and tribal corporations.

Any reserve account deficiencies will be included in the graduation activity report submitted to SED.

C Reporting

The Ag Credit Directors will review the graduation activity reports submitted to SED by DD's for compliance with FmHA Instruction 1951-F. Any deficiencies noted in the graduation review will be addressed. The final report shall be submitted by SED to DAFLP no later than July 1, 1998.